

FROM MARGIN PRESSURE TO MOMENTUM:



OCTOBER-2025

FROM MARGIN PRESSURE TO MOMENTUM: GST RELIEF SPARKS OPTIMISM IN AUTO COMPONENTS

The auto components industry is an important sector of the Indian economy and a major foreign exchange earner for the country.

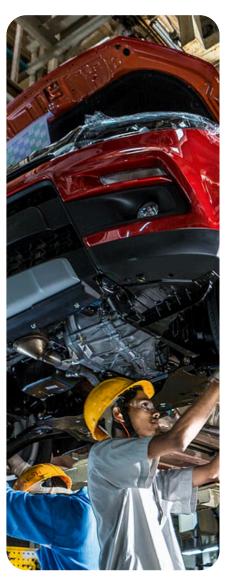


The domestic auto components industry largely consists of small and medium enterprises. The industry is highly fragmented. This industry can be broadly classified into the organized and unorganized sectors. The organized sector caters to the original equipment manufacturers (OEMs) and consists of

high-value precision instruments while the unorganized sector comprises low-valued products and caters mostly to the aftermarket category.

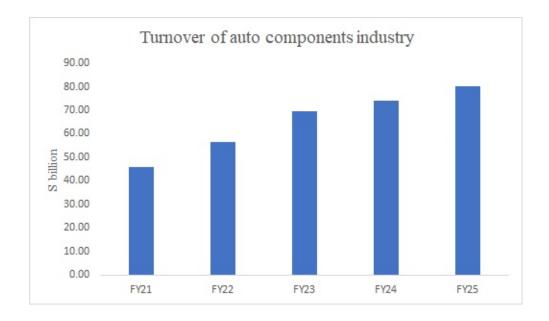
The industry is composed of over 780 organized players and around 5,800 unorganized players. In terms of revenue, however, the organized segment dominates the industry. The auto components industry manufactures a wide range of parts including castings, forgings, finished, semi-finished components, assemblies, and subassemblies for all types of vehicles produced in India. Auto Component Manufacturers Association (ACMA) members represent around 85% of the overall industry turnover. Over the past few years, more and more auto component companies have been registering as members of the ACMA.





RISING TURNOVER OF AUTO COMPONENTS INDUSTRY

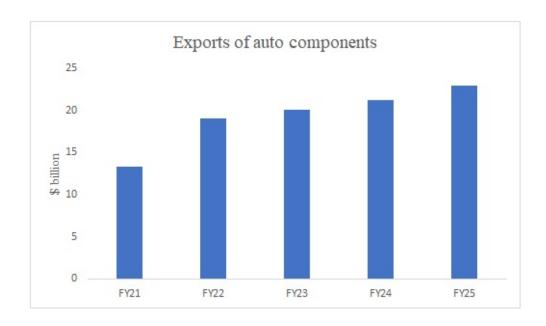
The turnover of auto components industry was Rs 6.73 lakh crore (\$80.2 billion) in FY25 as compared to Rs 6.14 lakh crore (\$74.10 billion) in FY24, registering a growth of 9.6% in rupee term. The growth was mainly on account of strong domestic demand, increasing exports, and greater value addition. The industry is expected to clock 7-9% revenue growth in current financial year (FY26), mirroring last fiscal year (FY25), driven by sustained demand momentum from two-wheelers passenger vehicles segments especially utility vehicles, which account for nearly half of the overall revenue.





Exports of auto components grew by 8% to \$22.9 billion (Rs 192,346 crore) in FY25 as compared to \$21.2 billion (Rs 175,960 crore) in FY24. North America accounting for 32% of exports saw an increase of 8.4% in FY25; while Europe accounting for 29.5% witnessed a decline of 2.1% in FY25.

Asia accounting for 26% witnessed 15.1% growth in FY25. Top export categories included drive transmission & steering, engine components, suspension, braking, and body/chassis parts.



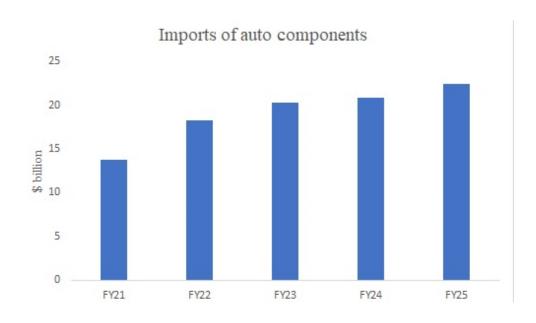




IMPORTS OF AUTO COMPONENTS

India's auto components imports were at \$22.4 billion in FY25 as compared to \$20.9 billion in FY24, marking a 7.1% increase from the previous year. Key import items included engine components, body & chassis, suspension & braking, and drive transmission & steering.

Major sources of India's auto component imports are China, Germany, Japan, South Korea and the US.



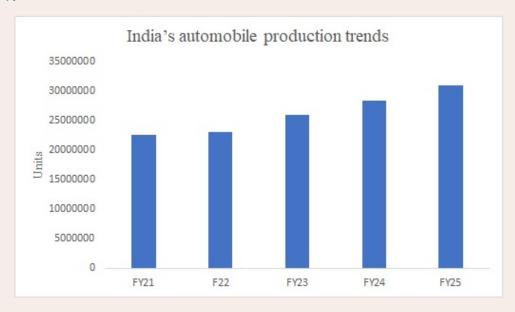


AFTERMARKET TURNOVER OF AUTO COMPONENTS

The aftermarket turnover grew by 6% year on year to Rs 99,948 crore (\$11.8 billion) in FY25, driven by expanding used vehicle base, formalisation of the repair ecosystem, and stronger rural demand supported by e-commerce penetration.

RISING AUTOMOBILE PRODUCTION TO INCREASE DEMAND FOR AUTO COMPONENTS

A surging Indian automobile industry directly benefits its auto components industry by rising demand for parts from domestic original equipment manufacturers and creating opportunities in the growing replacement market. The total production of automobiles in India, including commercial vehicles, passenger vehicles, three-wheelers, two-wheelers and quadricycles was 3,10,34,174 units in FY25 as competed to 2,84,39,036 Units in FY24.



IMPACT OF U.S. TARIFFS ON INDIAN AUTO COMPONENTS INDUSTRY

The U.S. is India's largest export destination for auto components. The U.S. has imposed a combined 50% tariff on most Indian imports following two separate announcements in 2025. The tariff implementation occurred in two phases. In July 2025, the US announced a 25% reciprocal tariff on Indian imports, which took effect on August 7, 2025. An additional 25% penalty tariff was imposed on August 27, 2025.

Auto component exports contribute nearly 30% to the industry's revenues, with the US alone accounting for 27% of this share. As a result, close to 8% of India's overall auto component production is expected to be directly affected by the recently announced tariffs. The imposition of a 50% tariff on Indian goods places Indian auto exporters component at disadvantage compared to their Asian counterparts, as countries such as China, Japan, Vietnam, and Indonesia face lower tariffs of 15-30%. Exports of auto components from India to the U.S. have been rising steadily, moving from \$4.1 billion in FY21 to \$6 billion in FY22, \$6.5 billion in FY23, \$6.8 billion in FY24, and are estimated to reach \$7.3 billion in FY25.



IMPACT OF INDIA-UK CETA ON AUTO COMPONENTS INDUSTRY

India and the United Kingdom signed the Comprehensive Economic and Trade Agreement (CETA) in July 2025, a bilateral free trade agreement marking a major milestone in their longstanding partnership. CETA provides an unprecedented duty-free access to 99% of India's exports to the UK, covering nearly 100% of the trade value.



This includes labour-intensive sectors such as textiles, leather, marine products, gems and jewellery, and toys as well as high-growth sectors like engineering goods, chemicals, and auto components. This will spur largescale employment generation, empowering artisans, women-led enterprises, and Micro, Small and Medium Enterprises (MSMEs). The CETA is expected to benefit the Indian auto components industry through enhanced opportunities for exports, streamlined regulatory processes, particularly in key areas such as mobility, electric precision and lightweight engineering, materials. Indian MSMEs, which form the backbone of the auto industry, stand to gain from the liberalised terms of trade and improved access to UK markets.

IMPACT OF GST CUT ON AUTOMOBILES AND AUTO COMPONENTS

The reduction in Goods and Services Tax (GST) rates across categories of vehicles and auto components is a transformative step that will benefit manufacturers, ancillary industries, MSMEs, farmers, transport operators, and millions of workers in both the formal and informal sectors. Lower GST will push demand, helping automobile manufacturers and the large ancillary industry (tyres, batteries, components, glass, steel, plastics, electronics, etc). Rising sales of vehicles will increase orders for these components, creating a multiplier effect on MSMEs, which form a large part of this supply chain. Policy certainty through rational GST rates encourages fresh investments in the automobile sector. It will also promote Make In India and manufacturing sector. GST rate cuts will also encourage the replacement of old vehicles with new, fuel-efficient models, thereby supporting cleaner mobility.

The government has reduced Goods and Services Tax on two-wheelers (Bikes upto 350cc which includes bikes of 350cc) and Small Cars (covers petrol engine cars of <1200 cc and not exceeding 4 meters length and diesel cars of <1500 cc and not exceeding 4 metres length) from 28% to 18%. GST on large cars has been rationalized to flat 40% (no cess). GST on the majority of auto components for motor cars and motor bikes has been reduced to 18%. Further, the government has also reduced GST on Tractors (<1800 cc) from 12% to 5%. It cut GST on Road tractors for semi-trailers (engine capacity more than 1800 cc) from 28% to 18%. Moreover, the government reduced GST on Tractor parts, including tyres, tubes, hydraulic pumps from 18% to 5%. It also reduced GST on Commercial Goods Vehicles (Trucks, delivery-vans, etc) and Buses (seating capacity of 10+ persons) from 28% to 18%.



OUTLOOK

Indian auto components industry is likely to perform well in coming future owing to increasing demand for automobiles and growing income of middle class.



A recent reduction in the Goods and Services Tax rate for auto and auto components is expected to boost demand for the auto components industry. A Goods and Services Tax rate cut is expected to create positive impacts on the

automotive industry by lowering prices for consumers, boosting demand across various vehicle segments including small cars and bikes, and benefiting auto component manufacturers and ancillary industries.

Meanwhile, industry is likely to get support in near term as country's monsoon was good in 2025. A normal or good monsoon supports the auto components industry mainly by increasing rural demand and farm incomes, leading to increased sales of vehicles like tractors and two-wheelers, which in turn drives demand for their components. Besides, the reduction in import duties on automobiles under the newly signed India-UK Comprehensive Economic and Trade Agreement will ultimately benefit Indian auto component manufacturers. CETA is expected to benefit the Indian auto components industry through enhanced opportunities for exports and streamlined regulatory processes, particularly in key areas such as electric mobility, precision engineering, and lightweight materials. However, the recent decision to impose high tariffs on Indian goods by the U.S. presents challenges for the auto component makers.



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